

1 COMMITTEE: Environment
2 POLICY: Alternative Fuels and Alternatively Fueled Vehicles
3 (Joint with the Agriculture and Energy Committee)
4 TYPE OF POLICY: Existing
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6 The National Conference of State Legislatures urges the federal government to encourage an
7 increase in the research, development and promotion of alternative fuels derived from
8 domestic sources and alternatively fueled vehicles, including their commercial production and
9 use, and to devote federal funds to evaluate the environmental and economic impacts of
10 alternative fuels and alternatively fueled vehicles. Alternative fuels and alternatively fueled
11 vehicles can reduce the level of toxic and other emissions from vehicular use, reduce our
12 dependence on imported oil, improve our national security, help to balance our trade deficit
13 and help cities, counties and local governments comply with the Clean Air Act Amendments
14 and other legislative mandates. This research, development and promotion of alternative
15 fuels and alternatively fueled vehicles should have as its primary purposes reducing the level
16 of air pollutants and other emissions, reducing U.S. dependence on foreign oil, and providing
17 a low cost, reliable energy source. NCSL further urges Congress to develop policies to
18 encourage domestic manufacture of the infrastructure and equipment necessary to produce
19 alternative fuels.
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21 The Clean Air Act Amendments (CAAA) attempt to address the issue of air quality by
22 requiring states and regional authorities to develop comprehensive plans to control air
23 pollution. A significant number of metropolitan areas in the United States have been identified
24 by the U.S. Environmental Protection Agency (EPA) as not meeting health based standards
25 for carbon monoxide, nitrous oxides, ozone and sulfur oxides, particulates and other
26 pollutants. According to the EPA, much of the pollution in these nonattainment areas can be
27 directly traced to mobile source emissions. By themselves, traditional methods apparently are
28 no longer capable of effectively ameliorating the increasingly negative impact of these
29 emissions. As a result, NCSL recommends the exploration and evaluation of all forms of
30 alternative domestic fuels and alternatively fueled vehicles in order to reduce the incidence of

31 toxic air emissions. NCSL recommends caution in promoting the replacement of traditional
32 fuels with alternative fuels that could result in other pollution problems.

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34 NCSL supports a federal Clean Alternative Fuels program that includes but is not necessarily
35 limited to methanol, ethanol, or other alcohols, reformulated gasoline, ultra-low sulfur diesel,
36 biodiesel, natural gas, liquefied petroleum gas, and hydrogen or other power source
37 (including electricity). However, NCSL recommends that this program take into account other
38 uses of source products, i.e. grains, when making recommendations for fuel usage or setting
39 new national standards. Furthermore, NCSL urges Congress to improve the availability of
40 source materials from our federal lands in accordance with multiple use mandates.

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42 NCSL is concerned that the further development of alternative domestic fuels, alternatively
43 fueled vehicles and conservation devices will depend, at least in the near future, upon the
44 continued availability of tax credits designed to encourage investment in these technologies.

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46 While tax credits and exemptions are important to the creation of an alternative fuels market,
47 NCSL recognizes their negative fiscal impact on the overall federal budget, as well as
48 inequities in the Highway Trust Fund. Consequently, NCSL urges Congress to encourage the
49 use of alternative fuels through incentives that will increase the production and development
50 of new vehicles with alternative fuels capability and vehicle conversion, in lieu of alternative
51 fuels tax exemptions. Federal tax credits available to alternative fuel production facilities
52 should be extended for a limited time. Congress is urged to phase out the tax credits for the
53 research and development of alternative domestic fuels and alternatively fueled vehicles
54 when the technology or changing policies relating to petroleum-based fuels makes the
55 product competitive in the market place. In an effort to mitigate the state-specific impact of
56 these and other federal policy changes, states should retain taxing authority to ensure that
57 alternative fuels are competitively priced.

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59 NCSL believes that the development, promotion and use of alternative fuels derived from
60 domestic sources and alternatively fueled vehicles is consistent with the primary goals of a
61 national energy policy that calls for the most efficient use of energy, a comprehensive energy

62 conservation strategy and the development and promotion of alternative renewable energy
63 sources.

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65 NCSL believes that there should be no warranty invalidation incurred by a provider if ASTM
66 standards are met for the fuel and the vehicle is approved for that fuel.

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68 In areas required under CAAA to utilize reformulated gas (RFG) or oxygenated fuels,
69 selection of alternative fuel additives should be left to the discretion of the affected state,
70 where costs, safety, and economic and environmental impacts can be considered.

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72 With regards to fuel additives, NCSL recommends the following:

73 • Prior to approval of fuel additives, U.S. EPA should examine public health benefits and
74 cross-media implications.

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76 • Any fuel requirements should be in the form of performance-based goals. No specific
77 chemicals or other additives should be prescribed in order to maximize state flexibility
78 to achieve the goals.

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80 • Any fuel requirement should be based on anticipated air quality benefits.

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